MINUTES FROM THE INVESTMENT SUBCOMMITTEE
OF THE CASH MANAGEMENT POLICY BOARD
MAY 2, 2018

A meeting of the Investment Subcommittee (the "Subcommittee") of the Cash Management Policy Board (the "Board") was held on May 2, 2018, 10:00 a.m., in the main conference room of the Office of the State Treasurer ("OST"), located at 820 Silver Lake Blvd., Suite 100, Dover, Delaware.

Subcommittee Members Represented or in Attendance:
Mr. Dave Marvin, Subcommittee Chair (Telephonically)
Mr. Mike Karia, Subcommittee Co-Chair (Telephonically)
The Honorable Kenneth Simpler, State Treasurer
Ms. Stephanie Scola, Director of Bond Finance, Department of Finance (on behalf of Mr. Richard Geisenberger, Secretary, Department of Finance)

Subcommittee Members Not Represented or in Attendance:
Mr. John Flynn, Board Chair

Others in Attendance:
Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Ms. Nohora Gonzalez, Deputy State Treasurer, OST
Mr. Josh Berkow, Director of Debt and Cash Management, OST
Mr. Stephen McVay, Cash Manager, OST (Telephonically)
Ms. Liza Druck, Policy Advisor, OST
Mr. John Krimmel, Partner, NEPC, LLC (Telephonically)
Ms. Jennifer Appel, NEPC (Telephonically)

CALLED TO ORDER
The meeting was called to order at 10:05 a.m.

A MOTION was made by Mr. Karia and seconded by Mr. Marvin to approve minutes from the Subcommittee meeting on February 7, 2018.
MOTION ADOPTED UNANIMOUSLY

INVESTMENT ARCHITECTURE UPDATE
Status of investment manager conversion

Mr. Krimmel provided an update on the conversion to the new investment architecture. He explained the ways in which the assets in the portfolios were separated from the legacy managers and redistributed to the new managers. Mr. Krimmel reported that the new architecture is largely in place and that the

remaining reallocation work is related to managers achieving the desired duration and credit quality within each portfolio.

INVESTMENT ACCOUNTS UPDATE
Land and water account contract extension
Ms. Gonzalez updated the Subcommittee on the extension of the land and water endowment account contracts. The current agreements have been reviewed against the new investment manager contracts. OST intends to update the insurance requirements, invoicing requirements, and pricing into the updated contracts, so that the land and water contracts will be consistent with the new investment manager contracts that were approved in January. These updates will be presented for approval at the full Board meeting on May 23, 2018.

School scholarship onboarding status
Mr. McVay notified the Subcommittee that all outside investment accounts have been closed and brought into the state's endowment portfolios. All accounting and reporting issues have been reconciled by Northern Trust and the Division of Accounting.

SCHOOL AND SPECIAL FUND RATE REVIEW
Updated on School and Special Fund Rate Methodology
Ms. Druck updated the Subcommittee on OST's annual review of the School and Special Fund (SSF) interest rate calculation. Based on the findings of the review, OST proposed a change to the underlying ratio that the SSF rate calculation is based upon. Such a change would result in a rate that is more reflective of market conditions and more equitable. OST also recommended that the Board consider establishing a policy for how interest rate payments should be handled in negative return months.

Treasurer Simpler went on to explain some of the challenges present in the rate that the Board approved in FY18, as well as the rate that was used prior to FY18.

PUBLIC COMMENTS
No members of the public present for comment.

NEXT MEETING
The next meeting of the Investment Subcommittee is scheduled for August 1, 2018.

ADJOURNMENT
A MOTION was made by Ms. Scola and seconded by Mr. Marvin to adjourn the meeting of the Subcommittee at 10:45 a.m.
MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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David Marvin   Mike Karia
Chair for the Investment Subcommittee   Co-Chair for the Investment Subcommittee